Summary of Findings

The following is a brief summary of <u>only some</u> of the more significant control and process weaknesses facing the HPSS. This is in no way a complete account of our observations, findings or recommendations. We can not stress enough the importance of reviewing the entire report to understand the issues and opportunities at hand. This summary is presented in the same order of our report, first presenting Themes, and then commentary on each of the ten functional areas reviewed. Due to the quantity of information in these sections, the functional summaries are presented in bullet format.

Themes

As previously mentioned, there are five organization-wide themes that we address in Section II of this report. These are issues that cross multiple facets of the organization and/or process.

1. Overall, there is a lack of tangible accountability and responsibility through the organization. ✦
Previous management had not provided and communicated the appropriate guiding mission for the HPSS. Decisions were made in a vacuum, with little analysis of long-term implications. As a result, HPSS personnel operated 'independently' due to a lack of guidance and focus. In large part, job descriptions do not exist or are outdated, and they lack formally defined responsibilities for specific roles and functions. Additionally, individuals are rarely held accountable for deviations from budget, process or operation. This issue also flows into certain departmental operations, where some groups are performing tasks that should be the responsibility of other areas.

2. Control processes and procedures are not standardized or reinforced. ✦
Over the long term, the HPSS is considering a site based management approach to school management. However, the organization lacks the infrastructure to support such an effort. Policies, procedures, and other control processes need to be established and operating prior to a move to site based management. Additionally, HPSS lacks a routine monitoring of its internal control structure by an Internal Audit department.

3. *Statutory requirements and contractual agreements frequently complicate efficient operations and data processing between/within the HPSS and the City.*

There are three main statutory and contractual requirements that hinder the financial and operation decision making process. First, bargaining unit contract requirements restrict the HPSS's ability to hire qualified external candidates. Agreed-upon employee pay increases and promotions, regardless of performance, are restrictive to the budget and planning process. Second, cost center management and other regulatory reporting guidelines require detailed line item accounting which impedes processing of data by and for the City's operations. Finally, the City Charter requires the HPSS to purchase all 'educational purpose' items, while all other HPSS purchases remain the responsibility of the City. This has segmented the purchasing function within a number of different HPSS and City departments. As a result, the purchasing and payment process is lengthy, cumbersome and inefficient.

4. *System and process improvements are being compromised by incomplete process redesigns, sub-optimal project management, lack of resources, limited training and education and no year 2000 or business continuity planning.*

Recently, the City purchased and is in the process of installing the Dun & Bradstreet SmartStream software application ("SmartStream") as a general ledger and financial management system. The HPSS will be migrating to this product as well. However, project management for the new system development, process re-design, training and system implementation is not fully dedicated and the appropriate resources to do so do not exist. In addition to the issues associated with SmartStream, the HPSS lacks plans for year 2000 compliance and business continuity.

5. *Over the years, a culture has been created within HPSS that has resulted in operational silos which prohibit sharing information and effective communication.*

The political environment between the City and the HPSS has created an 'us' versus 'them' climate. This tone has brought both organizations to the point where information is not freely shared, communication is avoided and distrust exists between both parties. This silo approach makes it difficult to obtain accurate and timely information. Additionally, staff within HPSS feel isolated from senior management and information is not always being communicated throughout the organization. Current management has taken steps to improving organization-wide communication, however additional improvements are needed to be fully effective.

Functional Commentary

Sections III through XII contain detailed observations and recommendations for each of the ten functional areas that were reviewed. The following bullet points summarize the points where controls and/or processes are weak. As previously mentioned, the items listed below are only a review of a some of the points. In our estimation these areas pose the greatest risk for the HPSS. To be able to fully comprehend these and other issues and recommendations, the reader should refer to the detailed documentation in each functional area.

Budgeting and Planning

Observations	Recommendations
• Cost center managers are not held accountable for the monitoring of budgets or budget over runs. • Budget allocation changes and transfers are not consistently communicated to the cost center managers. • Annual budgets are based on previous budget levels and preset formulas instead of using actual prior year expenditures.	• Cost center responsibilities should be defined and communicated to the cost center manager by the Budget and Planning department. All cost center allocations processed through Budget and Planning should be communicated to the cost center manager. • In addition to reviewing prior year's budgeted amounts by line item, the HPSS should also consider reviewing actual expenditures (actual cash spent plus encumbrances) by line item when establishing the budget. The HPSS should have access to prior year's actual results.

Enrollment Management

Observations	Recommendations
• Some programs are not driven by pupil enrollment. Pupils' schedules are adjusted to fill the teacher's schedule versus meeting the students program needs. • Compliance with new enrollment and attendance procedures at the classroom level is inconsistent.	• Administrative rules and regulations should be developed regarding allocation formulas and procedures for personnel based upon pupil enrollment and program needs. • Define and communicate attendance issues in a policy manual available for staff reference and training. Such policies should address state and local HPSS policy compliance and should be monitored and enforced.

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Facilities, Construction and Property Management

Observations	Recommendations
• HPSS does not have an updated, prioritized long range plan for facilities and property management. As a result, preventative maintenance is compromised by the staff allocations required to react to constant emergencies and crises.	• Develop an updated long range plan that considers changing enrollment, program needs and financial resources.
• Preventative maintenance is compromised by the constant crisis management required of Buildings and Grounds. • Due to time restrictions, there is no yearly evaluation performed on each of the school buildings to prioritize work to be done throughout the year.	• Engage design and engineering professionals to undertake a detailed evaluation of the condition of facilities with the objective of prioritizing a comprehensive preventative maintenance program.
• Established security measures are not consistently being followed or enforced at the school level.	• Enforce and monitor security policies and procedures. • Establish a training program to promote security awareness for both staff and students alike.

Financial Management

Observations	Recommendations
• The City's financial system does not provide the HPSS appropriate access to data in order to properly manage, analyze and report on their operation.	• The City needs to provide greater support in assisting the HPSS in gathering and accessing financial information. • Establish an executive management reporting system that focuses on providing the key information needed for managing the school system.
• HPSS lacks current, and in some instances, formal policies and procedures regarding the financial activities for both central operations and school administration.	• Implement and enforce formal policies and procedures regarding internal and external financial reports, processing general accounting transactions and school based financial management activities.

Human Resources

Observations	Recommendations
• There are 12 current collective bargaining agreements with a variety of provisions. According to the Connecticut Association of Boards of Education the HPSS contracts are among the highest in the state in terms compensation and benefits. The contracts allow no differences between those with excellent, average and marginal performance and ability; the agreements, and people management practices, generally lack attention to contribution, responsibility or accountability; and they prioritize seniority over ability, achievement, or dedication.	• Aggressively renegotiate all contracts. • Develop common provisions across bargaining units, reducing variability among contracts. • Set market competitiveness as the pay and benefits standard. • Challenge unions to a partnership approach aligning their interests with those of students and sharing responsibility for achievement of goals. • Establish achievement and ability as at least equal to seniority.
• The Human Resource function currently lacks most of the responsibilities and programs that define a human resource function. Given the organizational changes the HPSS is trying to make, most of these human resources areas are necessary rather than optional. In addition, training in sexual harassment, diversity, workplace safety, AIDS, and other basic training is needed soon.	• Design the right Human Resource function for the HPSS, prioritizing those contributions which will help drive the changes of the next few years. (Predictably, training, communications, HRIS, etc. will emerge as priorities) • Upgrade and add professional positions as required to put this function in order, but only after a proper design process.
• The system seems to be both culturally and structurally unaccustomed to holding individuals accountable. It has historically been uncommon to find anyone with responsibility for desired outcomes. Career advancement is **independent** of performance, and there is a reluctance to either give poor performance ratings or to discipline. Tenure and seniority have preference over performance or ability. • A culture has developed where the assumptions and expectations do not reflect a "same team" mindset, and do reflect a certain resignation about how deficient things are and are likely to remain.	• Develop both the mechanisms and the culture to support accountability. This will involve better objective setting, job descriptions that address needed contributions and responsibilities, sound performance management practices, the establishment of ability and performance as bases for pay and promotion decisions, a systematic culture-change effort and other initiatives.

Information Technology

Observations	Recommendations
• Certain information technology resources exist at both the City and HPSS. For example, separate data center facilities exist and two network support functions exist.	• Consideration should be given to creating a joint IT organization to service both the City's and HPSS's needs. This will help minimize redundancies in IT resources.
• An IT plan is being developed. However, no dedicated senior IT management position exists to be accountable for the implementation.	• Establish a dedicated IT senior management position to partner with other senior management. This position would be accountable for prioritizing and implementing the IT plan and ensuring future IT strategies support the HPSS business strategies.
• A comprehensive year 2000 plan has not been developed for the City or the HPSS. Furthermore, no one has assumed or been given responsibility for year 2000 planning at HPSS.	• A comprehensive year 2000 strategy needs to be developed.
• A formal IT control structure does not exist at HPSS, specifically in regards to the segregation of duties, security, change management and computer operations.	• A formal information technology control structure should be established and monitored through periodic independent IT audits.
• Current staffing levels within the HPSS's IT organization are not sufficient to provide the ongoing support required by the current initiatives.	• Although understaffing is one problem, the HPSS will see little benefit by increasing staff if other strategic, management, and organizational issues are not also addressed.

Payroll

Observations	Recommendations
• The payroll process is highly fragmented, with functions being performed by other departments. As a result, the gathering of payroll information is not timely, which inhibits the accuracy and usefulness of this data.	• Re-organize the payroll function so all activities are performed under a single department and department head.
• The Payroll department is not responsible for functional activities that are common for a payroll department such as correcting ledger coding errors, recalculations of partial period payroll checks or reclassifications of expenses.	• All audit functions should be performed prior to payroll distribution, not after.
• Standard policies and procedures for payroll processing are not in place at the school level.	• Implement and enforce current written policies and procedures for the payroll process.
	• Ensure the necessary controls are being followed for tracking employee time and distributing paychecks.

Procurement

Observations	Recommendations
• The purchasing function is fragmented across numerous departments within HPSS and the City.	• Streamline the purchasing process prior to the implementation of SmartStream with an effort towards consolidating all HPSS purchasing activity within one area.
• The current purchasing and payment process is lengthy and cumbersome due to a lack of communication of accurate specification requirements and the timely submission of receiving reports.	• Develop policies and train staff on purchasing process.
	• Redesign the requisition form to incorporate more specification fields (e.g., size needed, usage of goods).
	• Utilize periodic review process of all open PO's.
• The use of non-purchase orders ("NPOs") is abused.	• Develop policies and train staff on the use of NPOs.
	• Research the potential of other measures for small dollar purchase such as a procurement card program and/or a small dollar order process within the financial system that will bypass the purchasing function.

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Special Funds

Observations	Recommendations
• Grants administration is managed within the Special Funds department however the financial management of such funds is fragmented between many individuals within different departments. As a result, there is a lack of consolidated focus on special funds.	• Staff the Special Funds department so that it is responsible for all grants administration activities. This includes ensuring that the department has the appropriate level of financial and regulatory experience and knowledge.
• Post-award administration is predominantly focused on processing transactions and preparing financial reports rather than ensuring the proper monitoring of grants, especially with regard to expenditures and the fulfillment of grant purpose.	• Special funds should become a support vehicle for project managers to find grant opportunities, prepare competitive proposals, develop budgets, and field questions about, and ensure compliance with, regulations, grant restrictions and reporting requirements. Special funds should continue to review special purchases (e.g., equipment, travel or other unusual items) however, responsibility for reviewing ordinary grant expenditures to regulations and grant restrictions should be transferred to project managers.

Warehouse Facilities

Observations	Recommendations
• The HPSS maintains a warehouse of paper supplies, cleaning supplies, office supplies, gym equipment and art supplies.	• Examine the broader need and use of a school supply warehouse. Analyze the reasonableness and cost benefit of such a facility in light of vendors who can deliver supplies directly to the schools.
• Currently there is no effective inventory tracking system in place.	
• According to the Connecticut Association of Boards of Education, no other school system in the state maintains such a facility.	